The Impact of Downsizing

INPUT Workshop
30 April 1992

INPUT®

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The Impact of Downsizing on Software and Services

- Software re-engineering
- Outsourcing desktop services
- Customer services perspective

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Software Re-engineering

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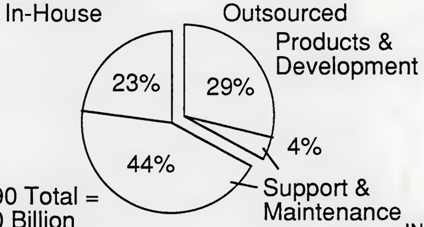
European User Software Budgets



1990 Total =
$90 Billion

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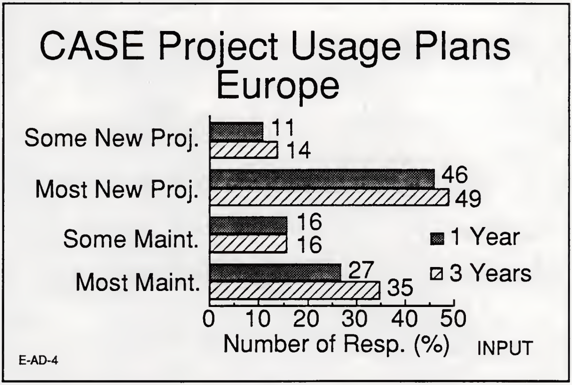
CASE Project Usage Plans
Europe
Some New Proj.
Most New Proj.
Some Maint.
Most Maint.
11
14
46
49
16
16
27
35
1 Year
3 Years
0
10
20
30
40
50
Number of Resp. (%)
INPUT
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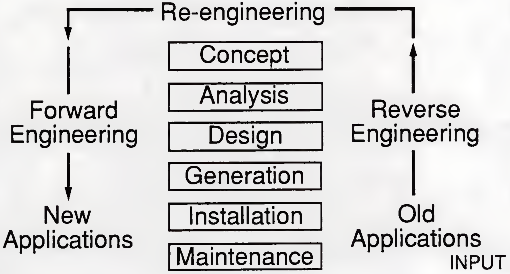
The Software Life-cycle



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Software Re-engineering

- Drivers
  - Established business practices
  - Reverse engineering tools
  - Portable software platforms

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Software Re-engineering

- Inhibitors
  - Change and business re-engineering
  - Object-oriented design
  - Downsizing

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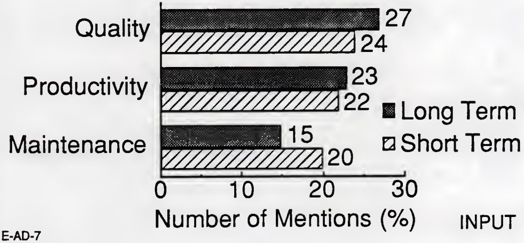
Payback Expectations of CASE Users



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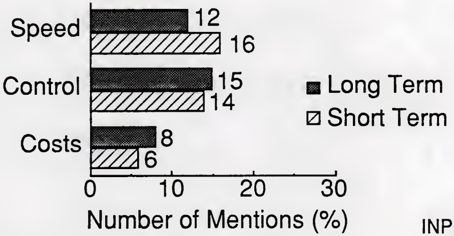
Payback Expectations of CASE Users



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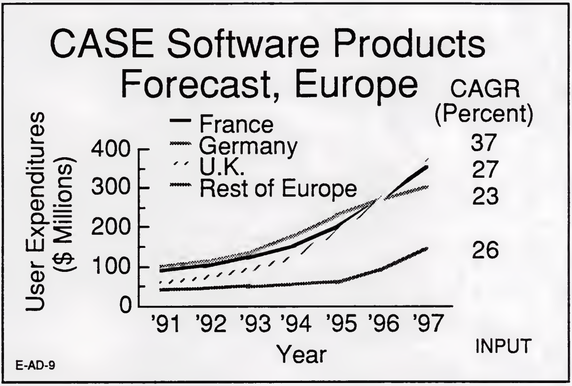

CASE Software Products
Forecast, Europe
CAGR
(Percent)
France
Germany
U.K.
Rest of Europe
37
27
23
26
400
300
200
100
0
User Expenditures
($ Millions)
'91 '92 '93 '94 '95 '96 '97
Year
INPUT
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CASE-Related Initiatives

- Methodologies
- Software standards
- Software quality
- Organisational changes
- Training
- Team management

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Application Questions

- Drop
- Hold
- Re-engineer
- New development
- New package

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Impact of Downsizing

- Systems
- Projects
- Timescales
- Budgets
- Management

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Outsourcing Desktop Services In Europe

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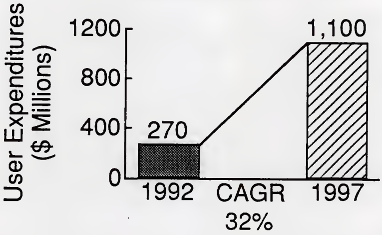
Desktop Services Market
Europe



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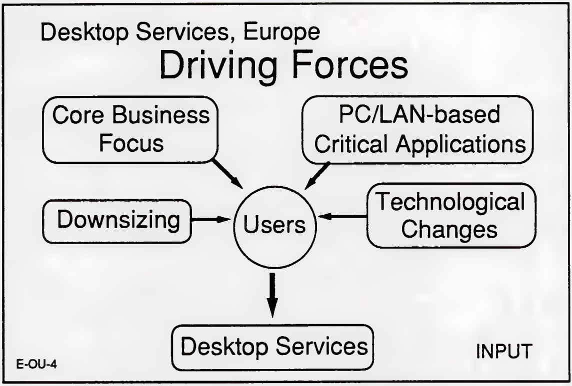
Desktop Services, Europe
Driving Forces
Core Business Focus
PC/LAN-based Critical Applications
Downsizing
Users
Technological Changes
Desktop Services
E-OU-4
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Desktop Services, Europe

The Decision Process

Site of Organization	In-House Capability Level	Source of decision to outsource
Large organizations	High	Senior executives
Medium-sized organizations	Low	IS management

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Desktop Services, Europe

Major Country Markets, 1992

Country	1992 Revenues ($ Millions)
United Kingdom	120
Germany	40
France	30
Netherlands	25

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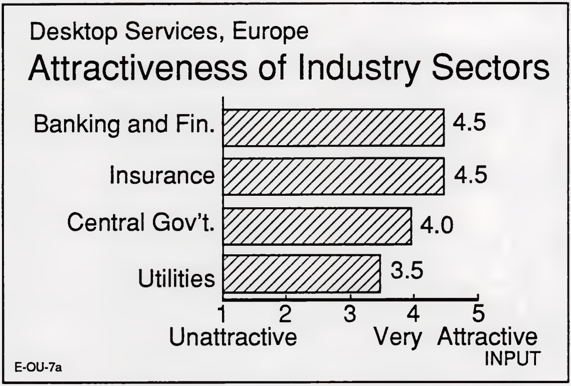
Desktop Services, Europe
Attractiveness of Industry Sectors
Banking and Fin.
4.5
Insurance
4.5
Central Gov't.
4.0
Utilities
3.5
1
2
3
4
5
Unattractive
Very Attractive
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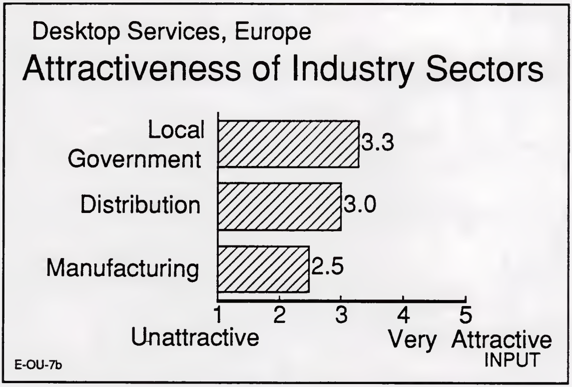
Desktop Services, Europe
Attractiveness of Industry Sectors
Local Government
3.3
Distribution
3.0
Manufacturing
2.5
1
2
3
4
5
Unattractive
Very Attractive
INPUT
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Notes

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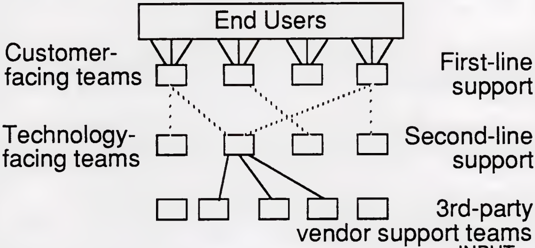
Desktop Services, Europe

Delivery of Help Desk Services



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Desktop Services, Europe

Pricing Mechanisms

- Cost of on-site support plus mark-up
- Monthly usage of remote help desk
- Volume discounts

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P&P: Service Offerings

- Contract managed support
- Dealer to Times Top 100
- Frequently take on user IS personnel
- Open relationship
- Tailored service

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Delivery Capability
P&P Corporate

Service Element	Level of Capability
Purchasing consulting	High
Equipment purchase	High
Equipment maintenance	High
LAN/equipment installation	High
LAN management	High

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Delivery Capability
P&P Corporate

Service Element	Level of Capability
Help desk services - Systems software - Applications SW products	 High High
Second-line technical support	High

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P&P: Strengths and Weaknesses

Strengths	Weaknesses
• Targeting major corporations	Lack of mainframe and proprietary systems operations capability

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P&P: Strengths and Weaknesses

Strengths	Weaknesses
• Knowledge of 9,000 PC products	Lack of industry expertise
• Vendor independence	European coverage still embryonic

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Desktop Services, Europe

Service Offering: iTNet

- Led by LAN implementation
- Targeting IS management
- Mainly second-line support
- Local service only

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Desktop Services, Europe

Delivery Capability: iTNet

Service Element	Level of Capability
Purchasing consulting	Low
Equipment purchase	Low
Equipment maintenance	Medium*
LAN/equipment installation	High
LAN management	High

* = via partner

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Desktop Services, Europe

Delivery Capability: iTNet

Service Element	Level of Capability
Help desk services	
- Systems software	Medium-High
- Applications SW products	Low
Second-line technical support	Medium

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Desktop Services, Europe

Strengths and Weaknesses: iTNet

Strengths	Weaknesses
• LAN implementation expertise	Lack of support of standard applications software packages
• Systems operations customer base	Feel constrained by geographic coverage

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Desktop Services, Europe

Strategies: Professional Services Vendors

- Only targeting desktop services as part of wider offering

- Concentrating on network implementation and management

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Notes

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Desktop Services, Europe

Professional Services Vendors

Strengths	Weaknesses
• Networking capability	Lack of supply cap.
• Synergy with systems operations	Lack of depth and breadth of software product knowledge
• Access to large accts.	Lack of ambition

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Notes

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Desktop Services, Europe

Dealer/Distributor Strategies

- Develop pan-European capability
- One-stop shopping
- Partnerships for proprietary capability
- Major opportunity to enter high-margin services business
- Targeting system development

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Desktop Services, Europe

Personal Computer Dealers

Strengths	Weaknesses
• Full desktop services capability	Lack of mainframe and midrange capability
• Breadth and depth of product knowledge	Pan-European capabilities still embryonic
• Vendor independence	

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Desktop Services, Europe

Key Trends

- Outsourcing ITTs increasingly request desktop services
- Desktop services also emerging as standalone service

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Desktop Services, Europe

Key Trends

- Downsizing producing substantial market growth
- Could become dominant form of infrastructure management

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Notes

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Desktop Services, Europe

Vendor Challenges

- Independence of supply
- Full-service capability
- Breadth of software product support capability
- Up-to-date technical skills
- Pan-European coverage

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Customer Services Perspective

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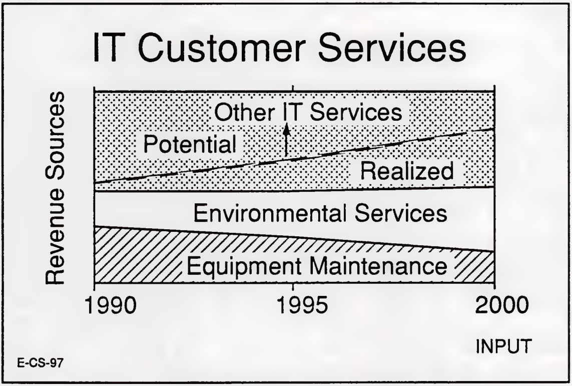
IT Customer Services
Revenue Sources
Other IT Services
Potential
Realized
Environmental Services
Equipment Maintenance
1990
1995
2000
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Notes

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Impact of Downsizing

- Maintenance squeezed
- Focus on SME/PME
- Desktop services

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Notes

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Repositioning

- SI
- Business continuity
- Networks
- Human resources
- Cross-industry assimilation

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Notes

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New Offerings

Percent of Business	Percent of Vendor Sample
≤10	50
11 - 20	25
21 - 25	8
26 - 40	17

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Notes

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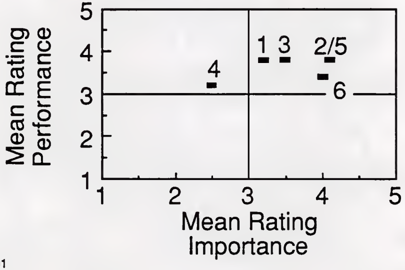
Performance vs. Importance



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Legend

1 = Planning & Design

2 = Network Services

3 = Software Services

4 = Human Resources

5 = Disaster Recovery

6 = Security Services

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Desktop Services

- One solution
- Open window
- Range of approaches

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Notes

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Traditional Desktop

- PC supply
- Network/server
- PC/printer maintenance
- Installation
- Training

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New Services

- ASP supply/support
- Help desk selection/supply
- Problems management
- Planning/administration
- Network upgrades
- Application development

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Notes

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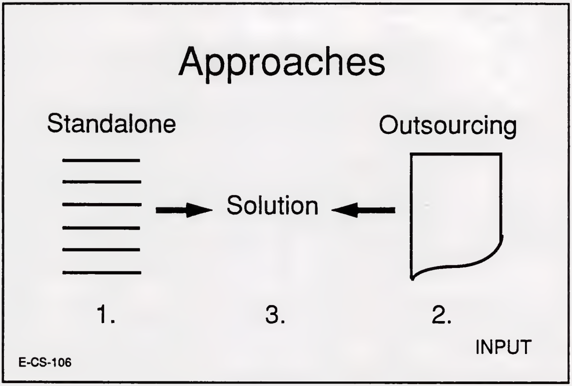
Approaches
Standalone
Outsourcing
Solution
1.
3.
2.
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Notes

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Selection Criteria

- Network expertise
- Single supplier
- Up-to-date
- Independence
- Pan-European

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Digital's Service Offering

- Part of Bespoke Services
- 4 service lines
- Mix and Match
- Sales - Force
  - DECdirect

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Notes

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Digital

Strengths	Weaknesses
• Name	- Hardware image
• Catalogue	- Confusing offerings
• Networking	- Impartial?
• I-stop	- Not highlighted
• Multivendor	

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Hewlett-Packard's Service Offering

- Standard contracts
- Multivendor—includes 3rd-party software
- Consultancy/customisation
- Specialist groups

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Notes

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Hewlett-Packard

Strengths	Weaknesses
• Premier on support	- Differentiated
• Tailored contracts	- Technical orientation
• Strong networking	- Weak SO
• Support for Oracle, Ingres, etc.	
• Own & multivendor	

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PrimeService's Service Offering

- Network planning/design
- Single-source 'Desktop'
- Standard supply/maintenance
- Multivendor 'One-Call'

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Notes

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PrimeService

Strengths	Weaknesses
• Software skills	- Specialist
• Integration skills	- Technical
• Networking	- Commercial
• Multivendor	- Marketing clout
	- Weak SO

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Computeraid Service Offering

- Blank paper
- Selective large contracts
- Learn on the job

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Notes

Computeraid

Strengths	Weaknesses
• PC hardware maintenance	- ASP skills
• Help desk skills	- Maintenance culture
• Financial	- Selling to end users
• Clear strategy	

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Data Logic Service Offering

- Branded product/service
- Mix and match
- Installed base
- Pan-European intention

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Data Logic

Strengths	Weaknesses
• International	- Uneven
• Skills mix	- ASP skills
• Focussed service line	- Pan-European(?)
• Independent	

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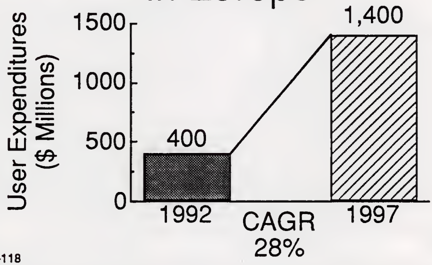
Desktop (+Maintenance) in Europe



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Equipment Suppliers

Strengths	Weaknesses
• Expertise	- Product oriented
• Large IBs	- Resources
• Financial	- Channel contention
• CS organisation	- Slow to change
	- Not impartial

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IMOs

Strengths	Weaknesses
• PC expertise	- Financial
• Incentive	- Software skills
• Independent	- Maintenance cultures

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Recommendations

- Strategic repositioning
- Acquire key skills
- Position migration

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